

FITCH AFFIRMS THREE PRIME RATE MONEY MARKET FUNDS AT 'AAAMMF' ON FEDERATED ACQUISITION; REMOVES RWN

Fitch Ratings-London/Paris-22 December 2011: Fitch Ratings has affirmed the following three money market funds, managed by Prime Rate Capital Management LLP (Prime Rate), at 'AAAmmf' and removed them from Rating Watch Negative (RWN):

Prime Rate Cash Management Funds - Prime Rate Euro Liquidity Fund
Prime Rate Cash Management Funds - Prime Rate Sterling Liquidity Fund
Prime Rate Cash Management Funds - Prime Rate US Dollar Liquidity Fund

On 22 December 2011 Federated Investors, Inc. (Federated) announced that it had entered into a definitive purchase agreement to acquire Prime Rate from the Matrix Group (Matrix), subject to FSA approval. Fitch now considers Federated to be the funds' sponsor and has therefore affirmed these funds' ratings at 'AAAmmf' and removed them from RWN.

Fitch placed these funds on RWN on 5 December 2011, solely reflecting the agency's view that the financial resources of the funds' sponsor (which Fitch deemed to be the Matrix Group at that time) were no longer consistent with a 'AAAmmf' rating, even after taking into consideration the funds' conservative investment guidelines (see "Fitch Places Three Prime Rate Money Market Funds on Rating Watch Negative", dated 7 December 2011 and available at www.fitchratings.com).

Fitch views Federated's financial resources as consistent with a 'AAAmmf' rating. Federated is a publicly owned investment manager. It was established in 1955 and as of 30 September 2011 had USD352bn in assets under management, including USD272bn in money market funds, of which around USD6.6bn was held in offshore money market funds.

Fitch maintains ratings on the following money market funds managed by Federated or its affiliates:

Federated Short-Term U.S. Prime Fund (Irish domiciled): 'AAAmmf'
Federated Government Obligations Fund (US domiciled): 'AAAmmf'
Federated Municipal Obligations Fund (US domiciled): 'Ammf'
Federated Prime Cash Obligations Fund (US domiciled): 'AAAmmf'
Federated Prime Obligations Fund (US domiciled): 'AAAmmf'
Federated Tax-Free Obligations Fund (US domiciled): 'AAAmmf'

As of 22 December 2011 the funds complied with Fitch's global rating criteria for money market funds, save for exposure to issuers rated 'F1' following the downgrade of Barclays on 15 December 2011. Fitch expects the exposures to Barclays to be reduced to levels consistent with its rating criteria by end-December 2011.

Fitch expects operational risks related to the acquisition by Federated to be low. Nonetheless the agency will closely monitor the progress of the acquisition and the funds' portfolios during the transition phase, which Fitch expects to be short.

Fitch has taken this rating action on the assumption that the acquisition of Prime Rate by Federated will complete. Should the acquisition of Prime Rate fail for any reason then Fitch would expect to review the funds' ratings, the most likely outcome of which would be a downgrade.

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Additional information is available at www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

The sources of information used to assess this rating were the public domain, Prime Rate, the Matrix Group Limited, Bank of New York Mellon (Ireland) Limited and Federated Investors, Inc..

Applicable criteria, 'Global Money Market Fund Rating Criteria', dated 4 April 2011 is available at www.fitchratings.com.

Applicable Criteria and Related Research:
Global Money Market Fund Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=614345

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